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CIA Aide Quits After Allegation Of Impropriety

Deputy Director Max Hugel Denies Published Report Of Stock Fraud Charges

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—Max Hugel, the controversial chief of the Central Intelligence Agency's spy operations, resigned after a published report that he engaged in improper and possibly illegal securities activities in 1974.

The report in the Washington Post concerned Mr. Hugel's relations with McNell Securities Corp., which acted as a market maker in the stock of Brother International Corp., a consumer electronics company Mr. Hugel once headed.

According to the charges in the Post, while Mr. Hugel was president of Brother International, he leaked confidential information to the McNell firm about the company and a concern with which it did business and for which Mr. Hugel later worked, Centronics Data Computer Corp.; he tried to manipulate the price of Brother International's stock, and he funneled money to McNell Securities in an unsuccessful effort to keep the firm afloat. Mr. Hugel denied the charges.

The Post quoted tape recordings of conversations between Mr. Hugel and Thomas McNell, the head of the securities firm, in which some of the activities allegedly were discussed.

McNell Securities eventually became a branch office of Executive Securities Corp., which has since gone out of business. Some Executive Securities' officials were indicted in 1977 for misappropriating money that was supposed to be used to buy Centronics Data stock for customers.

All of those indicted pleaded no contest and were fined and placed on probation, according to the Securities and Exchange Commission.

An official of the Securities and Exchange Commission said he wasn't aware of any current investigation of the allegations against Mr. Hugel. The commission customarily doesn't disclose the existence of investigations.

In a letter of resignation to CIA director William Casey, Mr. Hugel said the allegations against him were "unfounded, unproven and untrue." But he added that they have become a burden that would be unfair to impose on the agency. Mr. Casey said he accepted Mr. Hugel's resignation "with deepest regret."

The White House, meanwhile, tried to play down and separate itself from the controversy. White House spokesman David Gergen said President Reagan's aides didn't learn of the charges until last week, when some reporters were rumored to be looking into them. The CIA did an "extensive" background check on Mr. Hugel before his appointment, Mr. Gergen said, but apparently didn't uncover the allegations. Mr. Gergen said that didn't surprise him, as it is "literally impossible to talk to every individual who has ever known" an individual who is being investigated.

As far as the White House is concerned, Mr. Gergen said, the "matter is closed" by Mr. Hugel's resignation. Mr. Gergen said neither the President nor his aides forced Mr. Hugel's departure, but he praised Mr. Hugel for his "sensitivity" in leaving.

The appointment of 56-year-old Mr. Hugel as the CIA's spymaster was controversial because he lacked experience in covert operations. His biggest asset was considered to be his loyalty to Mr. Casey, for whom Mr. Hugel worked during the presidential campaign. Mr. Casey was President Reagan's campaign manager.

Mr. Hugel's supporters praise his toughness, but his detractors have a different view. As one put it, Mr. Hugel is "a man with no people skills, no political skills and absolutely no discretion."

The CIA said Mr. Casey has appointed John Stein, a career officer, to succeed Mr. Hugel as deputy director for operations.

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